

JUL 27 1976

**In the Supreme Court  
of the United States**

OCTOBER TERM, 1976

**76 - 112**

No.

UNITED STATES OF AMERICA,

*Respondent,*

v.

WEYERHAEUSER COMPANY, a Washington  
corporation; CROWN ZELLERBACH  
CORPORATION, a Nevada corporation,

*Petitioners.*

**PETITION FOR A WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT**

MANLEY B. STRAYER

JAMES P. ROGERS

CLEVELAND C. CORY

2300 Georgia-Pacific Building

Portland, Oregon 97204

*Counsel for Petitioners*

*Weyerhaeuser Company and*

*Crown Zellerbach Corporation*

## INDEX

	Page
Opinions Below .....	1
Jurisdiction .....	2
Question Presented .....	2
Statement of the Case .....	2
1. Nature of the case; proceedings and disposition in the lower courts .....	2
2. Statement of relevant facts .....	3
3. The decision of the Court of Appeals .....	7
Reasons for Allowing the Writ .....	8
1. The Decision Concerns a Recurring Problem Arising in Determining Just Compensation in Federal Condemnation Proceedings .....	8
2. The Decision of the Court of Appeals is in Conflict with <i>Almota Farmers Elevator &amp; Warehouse Co. v. United States</i> , 409 U.S. 470 (1973); <i>United States v. Miller</i> , 317 U.S. 369 (1943) and <i>Olson v. United States</i> , 292 U.S. 246 (1934) and is Inconsistent with <i>United States v. Fuller</i> , 409 U.S. 488 (1973) .....	11
Conclusion .....	14

INDEX (Cont.)

Page

CITATIONS

Cases

<i>Almota Farmers Elevator &amp; Warehouse Co. v. United States, 409 U.S. 470 (1973)</i>	11, 13
<i>Olson v. United States, 292 U.S. 246 (1934)</i>	11
<i>United States v. Cors, 337 U.S. 325 (1949)</i>	7, 8, 10
<i>United States v. Fuller, 409 U.S. 488 (1973)</i>	11
<i>United States v. Miller, 317 U.S. 369 (1943)</i>	11

Statutes

28 U.S.C. § 1254(1)	2
28 U.S.C. § 1292(b)	3

---

**In the Supreme Court  
of the United States**

---

OCTOBER TERM, 1976

No.

---

UNITED STATES OF AMERICA,  
v.  
Respondent,

WEYERHAEUSER COMPANY, a Washington  
corporation; CRCWN ZELLERBACH  
CORPORATION, a Nevada corporation,  
Petitioners.

---

**PETITION FOR A WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT**

---

Petitioners pray for a writ of certiorari to review  
the judgment of the United States Court of Appeals  
for the Ninth Circuit, filed June 14, 1976.

**OPINIONS BELOW**

A copy of the opinion of the District Court for the  
District of Oregon on the segregated issue in the pre-  
trial order is attached as Appendix B, and is found in

the Record on Appeal, R. pp. 141-152.

The opinion of the Court of Appeals affirming the trial court's order (R. 170-171) is not yet reported. A copy is attached as Appendix A.

### **JURISDICTION**

The judgment of the Court of Appeals was entered June 14, 1976. Jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

### **QUESTION PRESENTED**

The issue presented is whether, in determining the just compensation to be paid for the taking by the United States of a forest access road, consideration may be given to the loss of income which otherwise would have been received for use of the road in the harvesting of federal timber.

### **STATEMENT OF THE CASE**

#### **1. Nature of the case; proceedings and disposition in the lower courts.**

This is an eminent domain action brought by the United States to condemn a perpetual easement over portions of a forest access road located on lands owned by defendants in Clackamas County, Oregon "for use by the United States of America and its assigns, licensees and permittees. . ." (R. p. 4). The District

Court entered a pretrial order (R. p. 45) segregating for separate trial by the court the following issue relating to "just compensation":

"Whether, in determining the just compensation due defendants in this action, consideration may be given to the reduction in value, if any, of defendants' lands in the Molalla Watershed resulting from the loss of the opportunity to obtain payments for use of the condemned road for removal of Federal timber." (R. p. 50).

The relevant facts necessary to a determination of the issue were agreed to by the parties and set forth in the pretrial order. Following the filing of briefs and oral argument, the trial court decided this issue in favor of the Government and against the defendant landowners (R. 141). The District Court certified the issue for appeal under 28 U.S.C. § 1292(b), and the Court of Appeals thereafter granted leave to appeal.

#### **2. Statement of relevant facts.**

The facts necessary to an understanding of the controlling question of law determined by the Court of Appeals are set out in the Pretrial Order for Proceeding under Rule 42(b) (R. pp. 46-51). The Molalla Road is a 28-mile road system constructed prior to 1950 to provide access to timberlands in an area in Western Oregon known as the Molalla Watershed. The timberlands served by the road are owned primarily by the United States, Weyerhaeuser Company (hereafter "Weyerhaeuser") and Crown Zellerbach Company (hereafter "Crown") in intermingled checkerboard

ownership patterns. The intermingled federal timberlands are predominantly "O & C" lands described below. Eight miles of the Molalla Road are located on lands owned by the United States and the remaining 20 miles on lands owned by petitioners. All but one of the entire 28-mile road was privately financed and constructed prior to 1950, and was thereafter maintained by petitioners and their predecessors in interest.

In 1950 the United States Department of the Interior adopted regulations pertaining to rights of way for logging roads covering the "revested Oregon and California Railroad and reconveyed Coos Bay Wagon Road grant lands," commonly known as "O & C" lands (43 C.F.R. § 115.154 et seq., Ex. C, R. p. 69). These recognized the interdependence of the federal government and private owners for access to timberlands in each ownership, and the need to solve the problems of forest land management in areas such as the Molalla Watershed, where these timberland ownerships are intermingled in a checkerboard fashion.

These regulations provided a procedure by which the Government, as a condition to granting rights of way over Government land, may require that the capital cost and maintenance of a road system serving the needs of the United States and private owners be allocated among all owners in proportion to the use each has made, or probably will make, of the road system in the removal of its timber. This result is achieved by means of reciprocal right-of-way agreements and calculations of the volume of timber in each ownership

which is logically "tributary" to the road, including timber previously removed. The capital cost of the road is then amortized over the total volume of such tributary timber, and each party, including the United States, thereafter bears its share of the maintenance and contributes to the capital cost of road segments owned by other parties in a proportion equal to its use of the road until its "share" of the capital cost has been discharged. (Exs. C and D, R. pp. 69, 76).

In 1953 petitioners and the United States entered into reciprocal right-of-way agreements providing for use of the road by each of the parties and their licensees, including purchasers of Government owned timber, during the ensuing 20 years. The contract provided for payment of road use fees but did not expressly incorporate the cost-sharing formula authorized by the regulations, possibly because, as noted by the District Court, the parties believed most of the federal timber would be removed by 1973, when the contracts would have expired. However, as set forth in the pretrial order, the parties agree that as of the date of taking "it was reasonably probable that a significant volume of Federal tributary timber would be removed over the Molalla Road in the future. . . ." On this subject, the Court of Appeals said:

" . . . The district court found, and there is little doubt, that absent condemnation a new road use agreement would have been signed. Substantial amounts of federal timber remain for harvesting in the Molalla watershed area. Although the government is not bound to use Molalla Road, the regulations governing such road use permits

for these timberlands establish a preference for the use of existing roads when such roads are of sufficient capacity."

A new road agreement would presumably have taken the form prescribed by the regulations and, thus, would have resulted in acquisition by the Government of an interest in the road in consideration for its agreement to pay its remaining share of the capital costs, as computed under the regulations. Based on petitioners' calculations of tributary timber of each owner which has been removed or probably will in the future move over the Molalla Road, and giving the United States credit for all federal timber previously removed, as required by the regulations, its remaining share of the capital cost of the segments of condemned road which would have been paid under the BLM formula, absent condemnation, amounts to in excess of \$300,000. It is the opinion of petitioners' appraisers that, absent the condemnation, a prospective purchaser of petitioners' lands, including the Molalla Road, would have taken this factor into consideration and given it weight in arriving at his opinion of fair market value. On the other hand, the appraisers employed by the United States, acting under instructions not to consider the above factor, have arrived at an appraisal figure representing only the bare land value underlying the road segments, as indicated by the Government's deposit in the Registry of the District Court of only \$20,431. Thus, the net result is to deny to petitioners any compensation for the value of the road improvements taken by the United States.

While we cannot say with certainty that the new road agreement which would have been made in the absence of a condemnation would have followed the regulations — for example, it might have provided for the payment of tolls like the 1953-1973 agreement — certainly it would in some way have recognized the strategic value of the condemned road system for the removal of tributary timber from adjoining federal lands. The decisions below declare this value noncompensable. Thus, the issue raised by this petition is in no way affected by the precise form which a successor to the 1953-1973 agreement would have taken.

### **3. The decision of the Court of Appeals.**

The Court of Appeals for the Ninth Circuit affirmed the District Court's ruling which removed from "just compensation" the prospect of any further contribution by the United States to petitioners' capital costs incurred in building the Molalla Road. The court justified the exclusion of anticipated Government road use payments as a factor in determining fair market value by applying the principle of *United States v. Cors*, 337 U.S. 325 (1949), ". . . excluding enhancement of value resulting from the Government's special or extraordinary demand for the property."

## REASONS FOR ALLOWING THE WRIT

1. **The Court of Appeals' Decision Determines An Important and Clear-Cut Issue of Law That Is Fundamental to the Further Conduct of This Case. More Important, It Concerns a Recurring Problem Arising in Determining Just Compensation in Federal Condemnation Proceedings. This Case Directly Presents Questions as to the Proper Limits of United States v. Cors, 337 U.S. 325 (1949), as Applied to Property Condemned Which Is, Because of Its Location, Well Suited to Provide a Service to Multiple Owners of Land Intermingled in Checkerboard Fashion.**

It is obvious that both the District Court and the Court of Appeals were troubled by the requisites for application of *Cors* to this case. The District Court used this language:

“. . . I am somewhat haunted by the guiding philosophy of *Cors*, which proclaimed ‘fairness’ to be the principle underlying exceptions to the market-value rule. In seeking to protect the government from a ‘hold-up’, I may inadvertently reward the real bandit.”

The Court of Appeals did not go so far, but said:

“. . . The focal point of the ‘special or extraordinary’ standard is that values resulting from the *urgency* or *uniqueness* of the government’s need for the property or from the *uniqueness of the use to which the property will be put* do not reflect what a willing buyer would pay to a willing seller. While we do not agree with the government’s contention that any need it may have is

special or extraordinary, it is clear that government projects may render property valuable for a unique purpose. Value for such a purpose, if considered, would cause ‘the market to be an unfair indication of value,’ *United States v. Cors*, *supra*, 337 U.S. at 333, because there is no market apart from the government’s demand.” [emphasis added]

This case does not fit the “special or extraordinary” standard of *Cors*. There is nothing unique about the intermingled ownership pattern of private and federal forest lands. This Court may take judicial notice that in states west of the 100th meridian, there are many millions of acres of lands in federal ownership and management which are intermingled in checkerboard fashion with private lands, so that neither can be reached for management purposes without crossing the lands of the other owners. Such examples abound in the states of Washington, Oregon, Idaho, Montana, Wyoming, Nevada, New Mexico, Arizona and California.

Neither is there anything unique in the fact that the O & C lands are to be managed for sustained timber yield. This basic principle of timberland management by both governmental agencies and many private owners has been generally accepted for many years.

Thus, the problems of access over intermingled privately and publicly owned timberlands in the Molalla Watershed have their counterparts all over the West, where both federal and private timberlands are managed for sustained yield purposes. In the management

of federal timberlands, the Government acts as proprietor, exactly as do private owners, such as petitioners, whose timberlands are intermingled with those of the United States. The need for cooperation in achieving access to those lands is no different than if the O & C lands were privately owned.

The result of the lower court decisions here is that the Government is allowed to condemn a valuable forest road system from petitioners on a basis that rewards the Government for taking the property. Absent condemnation, the Government would have continued to use the road on a cost-sharing basis for removal of its timber. This factor of value is now excluded from consideration at trial only because of the mistaken view that the Government's need is unique, special or extraordinary.

But the Government's need for the Molalla Road was not on that account any more "special" or "extraordinary" than its need for any other property taken for public use. Obviously, it needed access to its timberlands, just as Weyerhaeuser and Crown needed access to theirs; but its election to condemn an easement in the existing road in preference to continuing on a cost-sharing basis with petitioners, or acquiring a right of way and building a road of its own, clearly was dictated not by the need to own the road but rather by a desire to avoid making any further contribution to the capital cost of construction.

*United States v. Cors*, 337 U.S. 325 (1949) does not justify such an inequitable result. Unlike *Cors*, the

element of value at issue here did not arise from any need of the Government to acquire an easement in the Molalla Road. On the contrary, it arose from the economical service the road could provide to the owners of tributary timber, and, therefore, the probability that the Government would elect to continue the cost-sharing arrangement. In good conscience, the Government, having elected to continue using the Molalla Road, ought not to be permitted to avoid its cost-sharing obligations through the expedient of condemnation.

**2. The Decision of the Court of Appeals Is in Conflict with *Almota Farmers Elevator & Warehouse Co. v. United States*, 409 U.S. 470 (1973), *United States v. Miller*, 317 U.S. 369 (1943) and *Olson v. United States*, 292 U.S. 246 (1934), and is Inconsistent with *United States v. Fuller*, 409 U.S. 488 (1973).**

In *Almota* this Court reaffirmed two basic tenets of "just compensation," i.e., (1) that value is normally ascertained from what a willing buyer would pay in cash to a willing seller, and (2) that the Government should not be allowed to escape paying what a willing buyer would pay for the same property. To do so would run counter to what this Court noted as "[t]he constitutional requirement of just compensation [which] derives as much content from the basic equitable principles of fairness . . . as it does from technical concepts of property law." (409 U.S. at 478.) Applying those rules it held that the reasonable expectancy that the landowner's lease would be re-

newed was entitled to consideration in valuing the improvements.

In *Miller* and *Olson*, this Court held that enhanced values of property, although arising in part from governmental activity not related to intended acquisition by the Government, were entitled to consideration.

Each of these principles was applicable here, but was rejected by the District Court and the Court of Appeals.

The *Fuller* case is not directly in point, since petitioners are not claiming damages for the loss of the right to use segments of the Molalla Road built on Government land under BLM permits. If they were, there would be an analogy to this Court's rejection in *Fuller* of ". . . elements of value that the Government has created or that it might have destroyed under the exercise of governmental authority other than the power of eminent domain." (409 U.S. at 492.) However, as to petitioners' privately owned road segments involved here, unlike *Fuller*, the Government could not, under any authority other than eminent domain, destroy the elements of value inherent in their ability to provide economical access to all logically tributary timber. The application of the *Fuller* case here lies in its differentiation between noncompensable values added to fee lands by a revocable permit authorizing use of neighboring Government lands, and compensable values arising simply from proximity and ability to provide a service to other property. The Court of Appeals' ruling here is inconsistent with *Fuller* in ig-

noring proximity and holding that the Government's desire as a proprietor of land to use an improvement on intermingled private property renders that element of value noncompensable.

Thus, this case turns on "location value," for which the Government must pay. As stated by Mr. Justice Rehnquist writing for the Court in *Fuller* (409 U.S. at p. 493):

". . . The Government may not demand that a jury be arbitrarily precluded from considering as an element of value the proximity of a parcel to a post office building, simply because the Government at one time built the post office."

In the case at bar, petitioners rely upon the proximity of the condemned road system to the Government's tributary timber. Yet, the lower courts have now held that the Government is relieved from paying "location value," measured by probable payments for use of the condemned road for removal of federal timber.

The lower court decisions now put petitioners in a worse position than if they had dealt with a private buyer. This is contrary to the Court's admonition in *Almota Farmers Elevator & Warehouse Company v. United States*, 409 U.S. at 478 (1973).

To allow the Court of Appeals' decision to stand can only encourage the Government in further attempts to condemn private forest access roads in the Western states at unfair values substantially less than just compensation to the owners. If that portion of

the value of a condemned road which is attributable to the road's usefulness for the removal of federal timber (or, for that matter, any other natural resource of which a government happens to be the owner) is noncompensable, then, a condemning governmental agency will always be able to acquire it for a compensation less than market value. Such a discount in favor of governmental condemnors, which the decisions below appear to sanction, is contrary to the constitutional requirement that compensation be "just." In addition, by allowing such a discount, the decisions below may have sounded the death knell of the method of sharing road costs embodied in the O & C regulations and the corresponding regulations of the U. S. Forest Service; for why would an agency ever want to pay its fair share of the cost of a joint use road when it could condemn it for less?

#### **CONCLUSION**

For the foregoing reasons, the Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

MANLEY B. STRAYER  
JAMES P. ROGERS  
CLEVELAND C. CORY  
Counsel for Petitioners

#### **APPENDIX A**

### **UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT**

**UNITED STATES OF AMERICA,** Plaintiff-Appellee,  
v.

**WEYERHAEUSER COMPANY**, a Washington corporation; **CROWN ZELLERBACH CORPORATION**, a Nevada corporation, Defendants-Appellants.

No. 75-1301

#### **OPINION**

Appeal from the United States District Court for the District of Oregon

Before: **WALLACE** and **KENNEDY**, Circuit Judges,  
and **BOHANON**,\* District Judge  
**WALLACE**, Circuit Judge

The United States brought a condemnation action against Weyerhaeuser Company (Weyerhaeuser) and Crown Zellerbach Corporation (Crown) to secure an easement over portions of an existing forest access road used for hauling timber. Weyerhaeuser and Crown had been receiving payments from the government for use of the road in the removal of federal tim-

---

\* Honorable Luther L. Bohanon, United States District Judge, Northern, Eastern and Western Districts of Oklahoma, sitting by designation.

ber. They claimed that just compensation includes an element of value arising from the expectancy of continued government payments for use of the road for timber removal. The district court segregated this issue for separate trial pursuant to Rule 42(b), Fed. R. Civ. P., and rejected the claim that such value should be considered. The district judge also declared that the issue involved a controlling question of law as to which there is substantial ground for difference of opinion and that immediate appeal of this interlocutory order might materially advance the litigation. We agreed and, pursuant to 28 U.S.C. § 1292(b), granted the petition of Weyerhaeuser and Crown for leave to appeal. We affirm.

Weyerhaeuser and Crown own large amounts of timberland in the Molalla watershed area of Oregon. The only other substantial owner is the United States. The government granted these lands to the Oregon and California Railroad in 1866. They were subsequently revested in the United States as unsold lands pursuant to the Chamberlain-Ferris Act. Act of June 9, 1916, ch. 137, 39 Stat. 218. In 1937, Congress declared that these lands were to be managed as part of a "sustained yield timber program" for the benefit of dependent communities. Act of August 28, 1937, ch. 876, Title I, § 1, 50 Stat. 874 (codified as 43 U.S.C. § 1181a). In order to protect watersheds and maintain economic stability in the area, long-term federal timber yields were guaranteed by limiting the maximum harvest to the volume of new timber growth.

Successful management of the government timber program is complicated by intermingled ownership of the land in a checkerboard pattern. The government timber is essentially landlocked in this area. Access was provided in the 1940's when the 28-mile Molalla Road was constructed. Except for one mile, it was financed and built by Weyerhaeuser, Crown and their predecessors in interest. Eight miles of the road cross government lands. It is the remaining 20-mile portion owned by Weyerhaeuser and Crown which is the subject of this action.

The United States granted Weyerhaeuser, Crown and their predecessors fixed term permits to build the road across the government land. By the time the permits had expired, the Department of the Interior had adopted new regulations governing such arrangements. 43 C.F.R. §§ 115.154 *et seq.* (Supp. 1952), as amended, 43 C.F.R. §§ 2812.0-3 *et seq.* (Supp. 1975). One purpose of the new regulations was to prevent monopolization of access to federal timber lands. To effectuate that purpose, the regulations provided that the Bureau of Land Management (BLM) may refuse permits to private timber owners to cross federal lands unless reciprocal permits for use of private roads are obtained. 43 C.F.R. § 115.162 (Supp. 1952), as amended, 43 C.F.R. § 2812.3 (Supp. 1975).

New agreements governed by these regulations were negotiated in 1953 to expire December 31, 1973. The agreements granted the government and its licensees and Weyerhaeuser and Crown reciprocal non-ex-

clusive licenses over the portions of the Molalla Road on their respective lands. In addition, the government was to pay Weyerhaeuser and Crown road use fees based on quantities of timber removed over the road and the distance hauled. The agreements expressly provided that no interest in the land was created and that the payment of road use fees was not a contribution to the construction costs of the road. The district judge found that in 1953 the parties assumed most of the timber would be removed by 1973, but that it is now probable that a significant volume of federal timber remains to be removed over the road. The government acquired no vested right to use of the road after expiration of the agreements.<sup>1</sup>

Nineteen months before the expiration of the last road use agreement, the federal government con-

<sup>1</sup> The permits in question do not themselves create any property interest. We have held that revocation of such permits does not give rise to Fifth Amendment liability. *United States v. 87.30 Acres of Land*, 430 F.2d 1130 (9th Cir. 1970); *Acton v. United States*, 401 F.2d 896 (9th Cir. 1968), cert. denied, 393 U.S. 1121 & 395 U.S. 945 (1969); cf. *United States v. Rands*, 389 U.S. 121 (1967). Recently the Supreme Court said, in relation to Taylor Grazing Act permits:

[T]he Government as condemnor may not be required to compensate a condemnee for elements of value that the Government has created, or that it might have destroyed under the exercise of governmental authority other than the power of eminent domain.

*United States v. Fuller*, 409 U.S. 488, 492 (1973). In the case before us the granting of these permits and the renewing of the agreements is in the discretion of the BLM and the Secretary of the Interior. 43 U.S.C. § 956; 43 C. F. R. § 2812.6-1(a) (Supp. 1975). This case is thus distinguishable from claims for compensation arising out of renewal interests in leases. See *Alamo Land & Cattle Co. v. Arizona*, — U.S. — (1976); *Almota Farmers Elevator & Warehouse Co. v. United States*, 409 U.S. 470 (1973).

demned a perpetual easement in the roadway. The condemnation reserved to Weyerhaeuser and Crown the right to free use of the road subject to payment of proportional maintenance expenses and permitted them to continue collecting the road use fees provided for in the prior agreement until it expired.

In support of their claim that the condemnation award should include compensation for the probable receipt of future payments for government use of the condemned road, Weyerhaeuser and Crown argue persuasively that a willing buyer would pay a substantial price for that expectancy. The district court found, and there is little doubt, that absent condemnation a new road use agreement would have been signed. Substantial amounts of federal timber remain for harvesting in the Molalla watershed area. Although the government is not bound to use Molalla Road, the regulations governing road use permits for these timberlands establish a preference for the use of existing roads when such roads are of sufficient capacity. 43 C.F.R. § 2812.0-6(a) (Supp. 1975). In addition, it appears that in this case the government will be obliged, pursuant to the sustained yield program, to harvest federal timber in the region on a continuing basis for some time in the future. 43 U.S.C. § 1181a.

Despite the probable continuing government road use, the question remains whether this expectation is compensable. The essence of "just compensation" guaranteed to Weyerhaeuser and Crown by the Fifth Amendment is fairness. See *United States v. Cors*, 337

U.S. 325, 332 (1949). Just compensation has often been said to be the fair market value of the property taken, or what a willing seller could receive from a willing purchaser. *Almota Farmers Elevator & Warehouse Co. v. United States*, 409 U.S. 470, 474 (1973); *United States v. Miller*, 317 U.S. 369, 374 (1943).

Fair market value takes into consideration

[t]he highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future . . . to the full extent that the prospect of demand for such use affects the market value while the property is privately held.

*Olson v. United States*, 292 U.S. 246, 255 (1934).

Weyerhaeuser and Crown contend that pursuant to *Olson*, they must be compensated for the increment in value resulting from anticipated government road use payments. The fair market value standard does not, however, compel consideration of all possible factors which might enhance the value of the property condemned. *United States v. Fuller*, 409 U.S. 488, 491 (1973); *United States v. Miller*, *supra*, 317 U.S. at 374. A property's special adaptability to an owner's needs and its special value to the condemnor are elements which have been excluded in order to render the assumed market free from unfair influences. *United States v. Cors*, *supra*, 337 U.S. at 333; *United States v. Miller*, *supra*, 317 U.S. at 375; *see United States v. Chandler-Dunbar Water Power Co.*, 229 U.S. 53, 76 (1913).

The Supreme Court has recognized the existence of a "principle which excludes enhancement of value resulting from the government's special or extraordinary demand for the property." *United States v. Cors*, *supra*, 337 U.S. at 333. In *Cors* the government had requisitioned a tugboat during World War II pursuant to a statute requiring payment of "just compensation." The government's wartime need for such vessels and its requisitioning program had driven up the market price. The Court of Claims awarded compensation based upon this enhanced market value. The Court recognized that fairness precluded the payment of "hold-up value" created by the emergency needs of the government. *Id.* at 333-34.

Weyerhaeuser and Crown contend that the *Cors* "special or extraordinary demand" standard applies only to emergencies or unusual events. Thus they argue that no "holdup value" is sought here, there being nothing, in their view, special or extraordinary about the government's need in this case. This is too narrow a reading of *Cors*.

The Court in *Cors* stated the general principle that "[i]t is not fair that the government be required to pay the enhanced price which its demand alone has created." 337 U.S. at 333; *see Carlstrom v. United States*, 275 F.2d 802, 808-09 (9th Cir. 1960); *J. A. Tobin Construction Co. v. United States*, 343 F.2d 422 (10th Cir.), cert. denied, 382 U.S. 830 (1965); *United States v. Michoud Industrial Facilities*, 322 F.2d 698, 708-09 (5th Cir. 1963), cert. denied *sub nom. Board of Commissioners v. United States*, 377 U.S. 916

(1964); *United States v. 158.76 Acres of Land*, 298 F.2d 559 (2d Cir. 1962). The focal point of the "special or extraordinary" standard is that values resulting from the urgency or uniqueness of the government's need for the property or from the uniqueness of the use to which the property will be put do not reflect what a willing buyer would pay a willing seller. While we do not agree with the government's contention that any need it may have is special or extraordinary, it is clear that government projects may render property valuable for a unique purpose. Value for such a purpose, if considered, would cause "the market to be an unfair indication of value," *United States v. Cors, supra*, 337 U.S. at 333, because there is no market apart from the government's demand.

In the case before us the district court found that the government has been and will be the only road use customer:

[T]he government is the only participant. Apparently defendants have never exacted fees for use of the Molalla Road from any party except the government. There is some timberland in the Molalla Watershed owned by third parties, but it is relatively small and there is no reasonable probability that a harvest of those lands would require use of the condemned roads.

Our brothers of the Fourth Circuit were faced with a similar fact situation in *United States v. Whitehurst*, 337 F.2d 765 (4th Cir. 1964). There, the property owner had a truck farm next to a naval air station. The government bought from the landowner extensive

amounts of sand for construction of runways. When the United States condemned part of the land (including the sand pit) in order to extend the runways for jet traffic, the landowner contended that a portion of his land should be valued as a sand pit. The court found that the pit's only customer had been and would be the government and said:

Mere physical adaptability to a use does not establish a market. *In ascertaining the demand, the requirements of the Government for the project for which the land is taken must be totally excluded.*

*Id.* at 772 (footnotes omitted; emphasis in original). The court also refused to permit government purchases of sand for the original project to be admitted as evidence of a market for use of the property as a sand pit. The fact that the naval air station did not originally intend to extend the runways onto the condemned land (as here the timber management project did not originally contemplate seizure of the road) did not change the result. In the case before us, "the requirements of the Government for the project for which the land is taken" are precisely the future uses of the road for which Weyerhaeuser and Crown now seek compensation.

We find *Whitehurst* persuasive and see no reason to create an inter-circuit conflict. No other potential purchasers of Molalla Road could have been anticipated road use customers; certainly the government is the only participant in the market with a need for access for the erosion prevention, sustained yield harvesting and public recreation purposes embodied in the

sustained yield program. 43 U.S.C. § 1181a. As the BLM regulations recognize, ready access to these timberlands is pivotal to the economic success of the sustained yield program. 43 C.F.R. §§ 2812.0-6(b), (c) (Supp. 1975). These facts bring this case within the scope of the *Cors* decision. We therefore agree with the district court that the case presents a "special or extraordinary" situation or "an element of value which the government has created" and that a fair market would not include that value arising from the government's activity.

AFFIRMED.

**APPENDIX B**

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF OREGON**

**UNITED STATES OF AMERICA,**

Plaintiff,

v.

**WEYERHAEUSER COMPANY, a Washington  
corporation, and CROWN ZELLERBACH  
CORPORATION,**

Defendants.

Civil No. 72-387

**OPINION**

Sidney I. Lezak  
United States Attorney  
Joseph E. Buley  
Assistant United States Attorney  
District of Oregon  
506 U. S. Courthouse  
Portland, Oregon 97205  
Attorneys for Plaintiff  
Manley B. Strayer  
James P. Rogers  
William F. Martson, Jr.  
Davies, Biggs, Strayer, Stoel and Boley  
900 S. W. Fifth Avenue  
Portland, Oregon 97204  
Attorneys for Defendant

SKOPIL, Judge:

The United States brings an action for condemna-

tion of an easement over those portions of a forest access road ("Molalla Road") which are owned by defendants. Jurisdiction is under the Act of August 1, 1888, (25 Stat. 357; 40 U.S.C. § 257 (1970)), and its amendments and supplements: the Act of February 26, 1931, (46 Stat. 1421; 40 U.S.C. § 258a (1970)); the Act of August 28, 1937, (50 Stat. 874; 43 U.S.C. § 1181a (1970)); the Act of July 23, 1955, (69 Stat. 367; 30 U.S.C. § 601 (1970)); the Act of July 26, 1955, (69 Stat. 374); and the Department of the Interior and Related Agencies Appropriation Act, 1972, (85 Stat. 229).

The United States has acquired title to Molalla Road by filing a Declaration of Taking. The road provides access to timberlands in the Molalla Watershed area. Substantial portions of those lands are owned by the government, Weyerhaeuser, and Crown in intermingled segments of a "checkerboard" pattern.

The federal lands are revested Oregon and California Railroad lands (O & C lands). They were granted to the railroad in 1866 (14 Stat. 239). The Chamberlain-Ferris Act (39 Stat. 218) revested title in the United States to the grant lands which had not been sold by the railroad. In 1937 Congress declared that the lands were to be managed for a "sustained yield" of timber for the benefit of dependent communities (50 Stat. 874).

Management of the timberlands by the Department of the Interior was complicated by the checkerboard ownership pattern. Owners of the intermingled

private lands built logging roads into the various watersheds. O & C timber was harvested by private bidders who needed to use those roads. Prior to 1950 the private owners discouraged competitive bidding on the O & C timber by refusing access to their roads or by imposing oppressive terms on their use.

The 28-mile Molalla Road, except for one mile, was financed and constructed by Weyerhaeuser, Crown, and their predecessors in interest. Eight miles of the road crossed federal land.

The Interior Department adopted regulations in 1950 designed to resolve the access problems. The key to the regulations was reciprocity. Operation of the regulations was triggered by a private party's application for a right-of-way permit across O & C land. 43 CFR 2812.1. The government could refuse such permits unless the party granted reciprocal access rights across its lands to the government. 43 CFR 2812.3. When possible, an advance agreement would be reached as to the terms of the reciprocal grant. One such term was "the consequent proportion of the capital costs of the [private party's] road system [which was] to be borne by the United States . . ." 43 CFR 2812.3-7. When negotiations failed, arbitration succeeded. Compensation by the government to the private party for construction and maintenance costs of his road was to be amortized on the basis of "the probable period of time, past and present, during which such road may be in existence, and the volume of timber which has been removed and the volume of timber

currently merchantable, which probably will be removed from all sources over such road." 43 CFR 2812.4-1. Such compensation was contemplated because of the recognized fact that "the value of standing timber is determined in significant part by the cost of transporting the logs to the mill . . . , [and that] the duplication of an existing road reduces the value of the federal and other timber which is tapped by the existing road." 43 CFR 2812.0-6(b). The regulatory scheme was intended to benefit all parties through communal use spurred by capital cost-sharing arrangements.

The regulations were not a panacea. They affected only parties who applied for a permit to cross O & C lands. Some owners could reach their land without crossing government land. Others had harvested their timber and lacked incentive to seek permits. In these situations the government could obtain access only through purchase of an easement or by condemnation.

The defendants were in neither situation at the time of condemnation. Molalla Road was constructed between 1943 and 1950, before adoption of the regulations. Part of the road crossed O & C land and was built under a fixed-term permit from the Bureau of Land Management (BLM). When the permits expired, new agreements (Agreements) were negotiated under the regulations (S-133 and 133b; S-393). These agreements gave the government and the defendants reciprocal, non-exclusive licenses over the portions of

Molalla Road on their respective lands. Effective February 24, 1953, they established the rights and obligations of the parties for the ensuing twenty-year period (S-393 was not effective until 1965). The government was required to pay defendants a fee for use of their roads based upon the amount of tributary timber removed over the road. This was not a complete cost-sharing arrangement since there were no provisions relating to tributary timber or to the replacement cost of the road. At the time, the parties assumed most of the timber would be removed by December 31, 1973, when the Agreements expired. Although a substantial volume was harvested during the ensuing years, it is reasonably probable that a significant volume of federal tributary timber remains to be removed over Molalla Road.

The government condemned Molalla Road on May 16, 1972, a year and one-half before the Agreements expired. The taking reserved free use of the condemned portions of the road to defendants, subject to their payment of pro rata maintenance expenses and to load limitations. The government obtained control over third-party use, although such parties own but a small acreage of Molalla Watershed land.

#### ISSUE

The segregated issue before the Court is whether the reduction in value, if any, of defendants' lands in the Molalla Watershed resulting from the loss of opportunity to obtain payments for use of the con-

denmed road for removal of federal timber may be considered in determining just compensation.

Defendants contend that under the Agreements and under agreements which inevitably would have succeeded them, the United States obligated itself to pay a proportionate share of the capital cost of Molalla Road in consideration for its use. Since it still held a substantial volume of timber at the time of taking, defendants contend it had not discharged its cost-sharing obligations. Any prospective purchaser of defendants' Molalla lands would attribute value to the "probability" of receiving future United States payments for use of the roads in removing its remaining timber.

Plaintiff contends that its need for use of the condemned portions of Molalla Road cannot be considered. It contends the Regulations have no bearing on the condemnation and do not affect the value of the road. Because defendants are reserved free use of the condemned portions, plaintiff considers the impact of the taking on the market value of defendants' remaining lands to be negligible. It claims that any enhancement in value due to its need for the roads must be excluded from compensation because its need is "special and extraordinary." I agree.

#### DISCUSSION

The Constitution guarantees defendants "just compensation" for the government's taking. But the

Fifth Amendment contains no precise formula by which such compensation is to be determined. Generally, market value is accepted as the most practical and accurate standard. *United States v. Miller*, 317 U.S. 369 (1943). Market value is a reflection of what "a willing buyer would pay in cash to a willing seller." *United States v. Miller*, *supra* at 374. Defendants contend that a "willing buyer" would pay a significant price in expectation of receiving payments for use of the condemned road for removal of federal timber. The government responds that even if this is true, this prospective income is not compensable because the government's need for use of the road is "special and extraordinary." *United States v. Cors*, 337 U.S. 325 (1949). Defendants readily agree that *Cors* is the controlling decision but submit the case to a different interpretation.

In *Cors*, the U. S. Government requisitioned a tug-boat under Section 902 of the Merchant Marine Act of June 29, 1936, as amended, 49 Stat. 1985, 2015, c. 858, Aug. 7, 1939, 53 Stat. 1254, 1255, c. 555, 46 U.S.C. § 1242, 10 F.C.A. Title 46, § 1242. That act guaranteed owners of vessels requisitioned under its provisions "just compensation." The taking was prompted by the outbreak of World War II. The government challenged the compensation awarded by the Court of Claims as excessive because it failed to deduct from the value of the tug the enhancement of

---

<sup>1</sup> The Court did not decide whether this measure of compensation was identical with that of the Fifth Amendment for all purposes but considered it the same regarding the facts of the case at bar. *Cors* at 331-2.

value by causes which necessitated the taking. World War II created a dramatic rise in the government's need for vessels. Demand threatened supply, and the market reacted accordingly.

The Court recognized existence of "a principle which excludes enhancement of value resulting from the government's special or extraordinary demand for the property." *Id.* at 333. The essence of "just compensation" is fairness. Fairness demands exclusion of "hold-up values" created by emergency needs of the government. *Id.* at 333-334. This may also occur in several other situations: (1) "where the property has a special value to the owner because of its adaptability to his needs"; (2) "where it has a special value to the taker because of its peculiar fitness for the taker's project"; (3) where national emergency creates a sudden demand; (4) or where a government project exists which involves condemnations and the probability of a tract's inclusion in those takings enhances its market value. *Id.* at 332, citing *United States v. Miller, supra* at 375-379.

In the case at bar the government contends that its need for property is always "special and extraordinary." Plaintiff asserts that simply because it is the government, any enhancement in value of property caused by the government's participation in the market must be excluded from market value in determining just compensation.

Defendants say that the government is in the same position as private parties would be if the govern-

ment's lands were owned by them. They contend the government's need is neither special nor extraordinary because it has not been prompted by some unusual event. Defendants claim they are not seeking a "hold-up value," only the amount the BLM would probably pay for use of the road in light of its past practice and its regulations.

I reject the government's notion that its own participation in a market must be excluded from determination of value in all circumstances. The government's need is not always "special and extraordinary." Its needs meet that requirement when a national emergency or a government project "causes the market to be an unfair indication of value." *United States v. Cors, supra* at 333; see *United States v. Michoud Industrial Facilities*, 322 F.2d 698 (5th Cir. 1963); *United States v. 158.76 Acres of Land*, 298 F.2d 559 (2nd Cir. 1962); and *J. A. Tobin Construction Co. v. United States*, 343 F.2d 422 (10th Cir. 1965), cert. den. 382 U.S. 830 (1965); *Carlstrom v. United States*, 275 F.2d 802 (9th Cir. 1960).

Yet the government's need here is "special and extraordinary." The history of the government's ownership and management of the Molalla Watershed convinces me that its demand for private logging roads in that area is unique.

An existing market cannot be ignored simply because the government participates in it. *Olson v. United States*, 292 U.S. 246 (1934). But here the government is the only participant. Apparently defend-

ants have never exacted fees for use of Molalla Road from any party except the government. There is some timberland in the Molalla Watershed owned by third parties, but it is relatively small and there is no reasonable probability that a harvest of those lands would require use of the condemned roads.

Defendants propose that a market exists composed of prospective purchasers who would pay for the expectation of receiving road-use fees from the government. A similar situation occurred in *United States v. Whitehurst*, 337 F.2d 765 (4th Cir. 1964). Farm land was condemned to allow extension of a runway which had been constructed on an adjacent Naval Air Station eight years earlier. The condemned land had a borrow pit which contained a special type of sand. The government had made substantial purchases of the sand for construction of the runway and for subsequent improvements. Any market for the sand independent of the government was deemed conjectural by the court. The court held that the government's past and future demand for the same must be excluded in the determination of market value. The same reasoning applies here.

Defendant claims the case at bar is distinguishable on the ground that a private market exists which consists of "the opportunity to recoup from purchasers of government timber at least a portion of its fair share of the capital cost of the road." Such "recoupment" would be from the government, not from the private bidders who would harvest the timber. The

fact that the government may seek reimbursement from the bidders is immaterial.

It is also suggested that there is a private market consisting of buyers who would give consideration for the expectation of the government's road-use fees. This is analogous to an assertion that a market existed in *Whitehurst* consisting of buyers who would give consideration for the expectation of revenue from sales of sand to the government. *Whitehurst* specifically ruled that the government's need in such circumstances could not be considered. This is true even though the land is condemned in order to make use of existing improvements. *United States v. Buhler*, 305 F.2d 319 (5th Cir. 1962).

I do not necessarily agree with the *Whitehurst* decision. In the absence of contrary precedent, however, I feel compelled to follow its reasoning and cases cited therein. *United States v. Miller, supra*; *United States v. Cors, supra*; *John L. Roper Lumber Co. v. United States*, 150 F.2d 329 (4th Cir. 1945); *United States v. 158.76 Acres etc. in Town of Townshend etc., Vermont* 298 F.2d 559 (2nd Cir. 1962); and *United States v. Rayno*, 136 F.2d 376 (1st Cir. 1943), *cert. den.* 320 U.S. 776.

The government's management of the O & C forest lands is in the nature of a project designed to benefit dependent communities. Access to private logging roads is essential to the project's success. Consequently, the government's need for use of the roads is not equivalent to that of a potential private party

owning the same lands. The government is serving public interest with which private owners would not be concerned. Of course, the government could always be deemed to be serving public interest—at least indirectly—in any of its economic activities. But in this instance I consider the ultimate public interest and the forest management problems engendered by it “special and extraordinary” in light of the *Whitehurst* interpretation of *Cors*.

Defendants argue that theirs is a “proximity” case. If the United States condemns an area for a project and later enlarges the area by taking other lands, it must pay for any increment in value accruing to those lands because of their proximity to the original project unless the taking of those lands was contemplated from the beginning. *United States v. Miller, supra*. Defendants perceive that the proximity of their lands to the government lands brings them within that doctrine. This perception is blurred.

In *United States v. 172.80 Acres of Land*, 350 F.2d 957 (3rd Cir. 1965), the government condemned agricultural land to build a dam and reservoir. Two years later it acquired more land for a lakeside recreation development. In the interim, the land’s best use had become recreational rather than agricultural, and its market value increased. The value increase did not depend upon the government’s need for recreational land. Therefore the owners were entitled to compensation based on the enhanced valuation. Similarly, in *United States v. Fuller*, 409 U.S. 488 (1973), owners

were allowed compensation for the property value which resulted from proximity to a federal post office building. The enhanced value was not dependent upon the government’s potential need for the surrounding land but derived from the value to local businessmen of convenient mail service.

Any enhancement in value to defendants’ Molalla land due to its proximity to the government lands is directly and completely dependent upon the government’s needs. Unlike the *172.80 Acres* and *Fuller* cases, there is no outside market. The only notable timber owners in the area are the defendants and the United States. Therefore those cases do not apply.

“. . . [I]n ascertaining the market value of property taken in a condemnation proceeding the utility or availability of the property for the special purpose of the taker cannot be shown, if the taker is the only party who can use the property for that purpose.” *United States v. Boston, Cape Cod & N. Y. Canal Co.*, 271 F. 877 (1st Cir. 1921).

The timing of the government’s taking is disturbing. Under its Agreements with defendants, it was obligated to pay defendants for use of their roads for another year and one-half. The condemnation releases the government from those obligations. The government has provided no justification for its sudden action. Existing Agreements secured its right to use of Molalla Road, which is the only apparent reason for the condemnation. I am somewhat haunted by the guiding philosophy of *Cors*, which proclaimed “fair-

ness" to be the principle underlying exceptions to the market-value rule. In seeking to protect the government from a "hold-up," I may inadvertently reward the real bandit.

Yet the government could rightfully have condemned the Molalla Road in 1953 instead of entering into reciprocal rights agreements. The government's payments for road use was not compelled. Cancellation of those payments is not wholly unfair. Because the value of the use of the condemned roads is unique to the condemnor, I hold for the plaintiff. *See United States v. Chandler-Dunbar Water Power Co.*, 229 U.S. 53 (1912).

Dated this 11th day of October, 1974.

/s/ *Otto R. Skopil*  
United States District Judge

MICHAEL PODAK, JR., CLERK

In the Supreme Court of the United States

OCTOBER TERM, 1976

WEYERHAEUSER COMPANY AND CROWN ZELLERBACH  
CORPORATION, PETITIONERS

v.

UNITED STATES OF AMERICA

ON PETITION FOR A WRIT OF CERTIORARI TO  
THE UNITED STATES COURT OF APPEALS FOR  
THE NINTH CIRCUIT

BRIEF FOR THE UNITED STATES IN OPPOSITION

ROBERT H. BORK,  
*Solicitor General,*

PETER R. TAFT,  
*Assistant Attorney General,*

JACQUES B. GELIN,  
JOHN J. ZIMMERMAN,  
*Attorneys,*  
*Department of Justice,*  
*Washington, D.C. 20530.*

## INDEX

	Page
Opinions below .....	1
Jurisdiction .....	1
Question presented .....	1
Statute involved .....	2
Statement .....	4
Argument .....	8
Conclusion .....	11

## CITATIONS

### Cases:

<i>Almota Farmers Elevator &amp; Warehouse Co. v.</i> United States, 409 U.S. 470 .....	9, 10
<i>Olson v. United States</i> , 292 U.S. 246 .....	9, 10
<i>United States v. Cors</i> , 337 U.S. 325 .....	6, 8, 9, 10
<i>United States v. Fuller</i> , 409 U.S. 488 .....	8, 10
<i>United States v. Miller</i> , 317 U.S. 369 .....	9, 10
<i>United States v. Reynolds</i> , 397 U.S. 14 .....	9
<i>United States v. Whitehurst</i> , 337 F. 2d 765 .....	8

### Statutes and regulations:

Act of August 28, 1937, 50 Stat. 874 43 U.S.C. 1181a <i>et seq.</i> :	
Section 1, 43 U.S.C. 1181a .....	2, 5, 8
Section 2, 43 U.S.C. 1181b .....	2
Chamberlain-Ferris Act of June 9, 1916, 39 Stat. 218 .....	5

	Page
28 U.S.C. 1292(b) .....	7
43 U.S.C. 956 .....	9
43 C.F.R. 2812.0-3 <i>et seq.</i> .....	5
43 C.F.R. 2812.0-6(a) .....	7, 9
43 C.F.R. 2812.0-6(f) .....	9
43 C.F.R. 2812.1 .....	5
43 C.F.R. 2812.3 .....	5
43 C.F.R. 2812.3-1 .....	9
43 C.F.R. 2812.3-7 .....	5
43 C.F.R. 2812.6-1(a) .....	9

Miscellaneous:

15 Fed. Reg. 1971-1877, 43 C.F.R. 115.54 <i>et seq.</i> (1950) .....	5
---	---

**In the Supreme Court of the United States**

OCTOBER TERM, 1976

---

No. 76-112

WEYERHAEUSER COMPANY AND CROWN ZELLERBACH  
CORPORATION, PETITIONERS

v.

UNITED STATES OF AMERICA

---

*ON PETITION FOR A WRIT OF CERTIORARI TO  
THE UNITED STATES COURT OF APPEALS FOR  
THE NINTH CIRCUIT*

---

**BRIEF FOR THE UNITED STATES IN OPPOSITION**

---

**OPINIONS BELOW**

The opinion of the court of appeals (Pet. App. A-1 to A-10) is not yet reported. The opinion of the district court (Pet. App. A-11 to A-24) is not reported.

**JURISDICTION**

The judgment of the court of appeals was entered on June 14, 1976. The petition for a writ of certiorari was filed on July 26, 1976. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

**QUESTION PRESENTED**

Whether petitioners were improperly denied compensation for loss of the opportunity to obtain payments from the United States for removal of federal timber resulting from the taking of their portions of a forest access road.

(1)

### STATUTE INVOLVED

Sections 1 and 2 of the Act of August 28, 1937, 50 Stat. 874, 43 U.S.C. 1181a and 1181b, provide, in pertinent part:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.* That notwithstanding any provisions in the Acts of June 9, 1916 (39 Stat. 218), and February 26, 1919 (40 Stat. 1179), as amended, such portions of the revested Oregon and California Railroad and reconveyed Coos Bay Wagon Road grant lands as are or may hereafter come under the jurisdiction of the Department of the Interior, which have heretofore or may hereafter be classified as timberlands, and power-site lands valuable for timber, shall be managed, except as provided in section 3 hereof, for permanent forest production, and the timber thereon shall be sold, cut, and removed in conformity with the principal<sup>1</sup> of sustained yield for the purpose of providing a permanent source of timber supply, protecting watersheds, regulating stream flow, and contributing to the economic stability of local communities and industries, and providing recreational facilities<sup>1</sup>: *Provided*, That nothing herein shall be construed to interfere with the use and development of power sites as may be authorized by law.

The annual productive capacity for such lands shall be determined and declared as promptly as possible after the passage of this Act, but until such determination and declaration are made the average annual cut therefrom shall not exceed one-half billion feet board measure: *Provided*, That timber from said

lands in an amount not less than one-half billion feet board measure, or not less than the annual sustained yield capacity when the same has been determined and declared, shall be sold annually, or so much thereof as can be sold at reasonable prices on a normal market.

If the Secretary of the Interior determines that such action will facilitate sustained-yield management, he may subdivide such revested lands into sustained-yield forest units, the boundary lines of which shall be so established that a forest unit will provide, insofar as practicable, a permanent source of raw materials for the support of dependent communities and local industries of the region; but until such subdivision is made the land shall be treated as a single unit in applying the principle of sustained yield: *Provided*, That before the boundary lines of such forest units are established, the Department, after published notice thereof, shall hold a hearing thereon in the vicinity of such lands open to the attendance of State and local officers, representatives of dependent industries, residents, and other persons interested in the use of such lands. Due consideration shall be given to established lumbering operations in subdividing such lands when necessary to protect the economic stability of dependent communities. Timber sales from a forest unit shall be limited to the productive capacity of such unit and the Secretary is authorized, in his discretion, to reject any bids which may interfere with the sustained-yield management plan of any unit.

SEC. 2. The Secretary of the Interior is authorized, in his discretion, to make cooperative agreements with other Federal or State forest administrative agencies or with private forest owners or operators

---

<sup>1</sup>So in original.

for the coordinated administration, with respect to time, rate, method of cutting, and sustained yield, of forest units comprising parts of revested or reconveyed lands, together with lands in private ownership or under the administration of other public agencies, when by such agreements he may be aided in accomplishing the purposes hereinbefore mentioned.

#### STATEMENT

The United States instituted this condemnation action in the United States District Court for the District of Oregon to acquire a perpetual easement and right-of-way over the portions of a logging road owned by petitioners. The road, portions of which are owned by the United States, provides access to heavily timbered areas of the Molalla watershed; it is the sole means of access to certain government and private lands.

The road was built by petitioner Weyerhaeuser in the 1940's on 20 miles of private land and 8 miles of federal land under a fixed-term permit from the government. When that permit expired in 1953, the parties executed 20-year road use agreements, under which the government was to pay petitioners road use fees based on the quantity of timber removed over the road (Pet. App. A-3 to A-4). The agreements expressly provided, however, that no interest in the land was thereby created and that the payment of road use fees was not a contribution to the construction costs of the road (*ibid.*). Nineteen months before the expiration of the agreements, the government condemned this perpetual easement. But it permitted petitioners to continue collecting road use fees for the remainder of the term of the agreements and granted them the perpetual right to free use of the road, subject only to payment of proportional maintenance expenses (Pet. App. A-4 to A-5).

The federal timber lands in question are so-called "O & C" lands, title to which the government granted to the Oregon & California Railroad in 1866; in 1916, however, the lands were revested in the United States as unsold land pursuant to the Chamberlain-Ferris Act of June 9, 1916, 39 Stat. 218 (Pet. App. A-2). In 1937, Congress directed that these lands were to be managed as part of a "sustained yield timber program" under which timber is removed at the same rate as it is replaced by new growth, rather than by harvesting all the trees in an area at once. 43 U.S.C. 1181a. Such sustained yield management provides a permanent source of timber supply to stabilize the economic development of local communities and industries, protects existing watersheds, regulates stream flows, and provides recreational facilities.

Regulations promulgated in 1950<sup>2</sup> sought to eliminate monopolization of federal timber sales by providing that when a private party applies for a permit to cross O & C land, 43 C.F.R. 2812.1, the government may require as a condition precedent to the federal permit that the applicant grant it or its licensees reciprocal rights to cross private lands and roads. 43 C.F.R. 2812.3. As the district court noted (Pet. App. A-13 to A-14), when such reciprocal rights are granted, an advance agreement is to establish, among other terms (43 C.F.R. 2812.3-7):

the consequent proportion of the capital costs of the road system to be borne by such timber of the United States \* \* \* [and] the period of time over, or the rate at which, the United States or its licensees shall be required to amortise such capital cost; \* \* \*

In this case, in 1953 when the prior fixed-term permit expired, petitioners entered into new agreements with the

---

<sup>2</sup>15 Fed. Reg. 1971-1977, 43 C.F.R. 115.54 *et seq.* (1950), as amended, 43 C.F.R. 2812.0-3 *et seq.*

government granting them reciprocal, nonexclusive licenses for use of the government portion of the Molalla Road. The agreements, which were for a 20-year term, also required the government to pay road-use fees or tolls based on the amount of federal timber moved over the road (Pet. 7). As both courts below recognized, these agreements were not the type of cost-sharing agreements covered by the 1950 regulations because they expressly provided that no interest in the land was created and that the payment of road-use fees was not a contribution to the construction costs of the road.

In the district court, petitioners contended that, under the existing 20-year agreements and the renewal agreements which inevitably would have been entered into, the United States obligated itself to pay a portion of the capital costs of the Molalla Road, based on its percentage of the timber in the watershed logically tributary to that road. They argued that any prospective private purchaser of their land at the time of taking would have attributed value to the expectancy of receiving continued government road-use payments during the removal of government timber.

The district court, however, found that this alleged element of value had been created solely by the government's logging activity. It held that since the government's need for use of the private portions of this logging road was "special and extraordinary" (Pet. App. A-19), it was not compensable under the principle of *United States v. Cors*, 337 U.S. 325, 333, which excludes "enhancement of value resulting from the government's special or extraordinary demand for the property." In finding the government's demand for private logging roads in this area "unique," the trial court noted that the government was "the only participant" in the existing market to purchase use of the Molalla Road. The court further found that Weyerhaeuser and Crown "have never exacted fees for

use of Molalla Road from any party except the government" (Pet. App. A-19 to A-20). Thus, the district court excluded consideration of potential future road-use fees being paid by the government, stating (Pet. App. A-21 to A-22):

The government's management of the O & C forest lands is in the nature of a project designed to benefit dependent communities. Access to private logging roads is essential to the project's success. Consequently, the government's need for use of the roads is not equivalent to that of a potential private party owning the same lands. The government is serving public interest with which private owners would not be concerned. \* \* \* I consider the ultimate public interest and the forest management problems engendered by it "special and extraordinary" in light of \* \* \* *Cors*.

On interlocutory appeal pursuant to 28 U.S.C. 1292(b), the court of appeals affirmed. Although the government is not bound to use the Molalla Road, the regulations, 43 C.F.R. 2812.0-6(a), establish a preference for use of existing roads with sufficient capacity. Observing that "the government will be obliged, pursuant to the sustained yield program, to harvest federal timber in the region on a continuing basis for some time in the future" (Pet. App. A-5), the court of appeals held that the project requirements for which the easement and right-of-way were being taken "are precisely the future uses of the road for which [petitioners] now seek compensation" (Pet. App. A-9) and that this element of value was not compensable under *Cors*.

## ARGUMENT

1. The decision of the court of appeals is correct.<sup>3</sup> Both courts below found that the government's need for the Molalla Road is special and extraordinary in view of its statutory obligations relating to management of O & C timberlands. Weyerhaeuser and Crown contend that there is nothing unique about a federal-private pattern of ownership of lands or about management for sustained timber yield as a basic principle of timberland management (Pet. 9). But 43 U.S.C. 1181a directs that a special sort of localized sustained-yield management, with a minimum annual harvest requirement, shall be practiced in order to sustain the economic well-being of dependent local communities. This unique situation makes the government's need for access over private roads to O & C timber special and extraordinary within the meaning of *United States v. Cors*, 337 U.S. 325, 333-334. See also *United States v. Whitehurst*, 337 F. 2d 765, 772 (C.A. 4).

Moreover, because the government has created the only market for payment of fees to Weyerhaeuser and Crown for use of their portions of the Molalla Road, as both lower courts concluded (Pet. App. A-8, A-9, A-19 to A-20), this case falls within the long line of this Court's decisions, of which *United States v. Fuller*, 409 U.S. 488, 492-494, is the most recent example, holding that just compensation

does not include any element of value the government has created by the same undertaking for which the property is taken.<sup>4</sup>

Finally, Weyerhaeuser and Crown mistakenly assert (Pet. 10, 11) that the government's past and future use of the road (absent condemnation) has been and will be on a cost-sharing basis. Certainly as to past activities, the 20-year agreements were not cost-sharing agreements because the government's road-use fees did not qualify as capital cost contributions, as the court of appeals and the district court recognized (Pet. App. A-4, A-15). As to potential future use after the expiration of those agreements (absent condemnation), the lower courts also correctly found (Pet. App. A-4, n. 1) that while there is a regulatory preference for the use of existing adequate access roads, 43 C.F.R. 2812.0-6(a), both the applicable statute, 43 U.S.C. 956, and the regulations, 43 C.F.R. 2812.6-1(a) and 2812.3-1, vest broad discretion in BLM officials to determine whether to issue permits to cross O & C lands and whether to require reciprocal permits for the government and its licensees to cross the applicant's lands and roads. In fact BLM is directed *not* to require a reciprocal right-of-way permit when there is even a reasonable doubt that the private road cannot accommodate the government's needs. 43 C.F.R. 2812.0-6(f). Thus, whether future cost-sharing agreements would be executed under the regulations or some other means of assuring access would be used (such as condemnation) is speculative at best. Such expectations are not compensable interests in eminent domain proceedings. *Almota Farmers Elevator & Warehouse Co. v. United States*, 409 U.S. 470, 476.

---

<sup>3</sup>Petitioners quote from the portion of the district court's opinion indicating concern about the equitable stance of the government. The district court, however, misunderstood the interest taken by the government, as indicated by its statement that the condemnation released the government from its obligation to pay road-use fees for the remaining 19-months of the 20-year agreements (Pet. App. A-23). That is incorrect; the declaration of taking and complaint continued petitioners' right to receive road-use fees for the remainder of the contract period. This fact was recognized by the court of appeals (Pet. App. A-5).

---

<sup>4</sup>See also *United States v. Reynolds*, 397 U.S. 14, 16; *United States v. Cors*, *supra*; *United States v. Miller*, 317 U.S. 369, 375-379; *Olson v. United States*, 292 U.S. 246, 256.

2. Petitioners maintain that the decision here conflicts with the principles of *Almota Farmers Elevator & Warehouse Co. v. United States*, 409 U.S. 470;<sup>5</sup> *United States v. Fuller*, 409 U.S. 488; *United States v. Miller*, 317 U.S. 369; and *Olson v. United States*, 292 U.S. 246. But those decisions support the decision below, as we have discussed above. While value enhancement resulting from previous, unrelated government activity can be considered, the only value in petitioners' private road segments arises from the government's use for the same project that necessitated this acquisition. Compensation for that value addition is excluded by every relevant decision of this Court, including those cited by petitioners.<sup>6</sup>

---

<sup>5</sup>Petitioners apparently contend that they have a renewal expectancy similar to the one involved in *Almota*. To the contrary, the *Almota* renewal expectancy arose from a lessor-lessee relationship which did not in any way involve the government. The lessee had held the land under successive leases since 1919. *Almota* did not in any way involve compensation for a prospective future lease but rather for the remaining useful life of improvements on the leasehold, in circumstances indicating that lease renewals were virtually certain to permit the improvements to remain in place. *Almota* bears little relation to this case. Here one of the parties to the contractual arrangement is the government and its potential decision to renew a road use agreement is controlled by the regulations discussed above.

<sup>6</sup>Petitioners also assert (Pet. 12):

However, as to petitioners' privately owned road segments involved here, unlike *Fuller*, the Government could not, under any authority other than eminent domain, destroy the elements of value inherent in their ability to provide economical access to all logically tributary timber.

The government could totally eliminate this element of value simply by ceasing timber harvest of government lands in the Molalla watershed. The only logically tributary timber in the watershed is owned by the government or petitioners. It is because the government, by statute, cannot cease its timber harvesting that the road-use fee element of value must be excluded under *Cors*.

#### CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be denied.

Respectfully submitted.

ROBERT H. BORK,  
*Solicitor General.*

PETER R. TAFT,  
*Assistant Attorney General.*

JACQUES B. GELIN,  
JOHN J. ZIMMERMAN,  
*Attorneys.*

OCTOBER 1976.

OCT 26 1976

MICHAEL ROBAK, JR., CLERK

# In the Supreme Court of the United States

OCTOBER TERM, 1976

No. 76-112

UNITED STATES OF AMERICA,

*Respondent,*

v.

WEYERHAEUSER COMPANY, a Washington  
corporation, CROWN ZELLERBACH  
CORPORATION, a Nevada corporation,*Petitioners.*

---

## REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

---

MANLEY B. STRAYER  
JAMES P. ROGERS  
CLEVELAND C. CORY

2300 Georgia-Pacific Building  
Portland, Oregon 97204

*Counsel for Petitioners*

*Weyerhaeuser Company and  
Crown Zellerbach Corporation*

---

In the Supreme Court  
of the United States

OCTOBER TERM, 1976

No. 76-112

---

UNITED STATES OF AMERICA,

*Respondent,*

v.

WEYERHAEUSER COMPANY, a Washington  
corporation, CROWN ZELLERBACH  
CORPORATION, a Nevada corporation,

*Petitioners.*

---

**REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF  
CERTIORARI TO THE UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT**

---

The brief for the United States demonstrates the urgency of review by the Court of the important federal condemnation law questions presented by the Petition for Writ of Certiorari. Counsel for the United States argue that the enactment by the Congress in 1937 of legislation for the management of O&C timberlands (Act of August 28, 1937, 50 Stat. 874, 43 U.S.C. 1181a and 1181b) created a special and extraordinary need for use by the United States of privately owned roads to remove government owned tim-

ber; and therefore that the right to such use may be taken under the doctrine of *United States v. Cors*, 337 U.S. 325, without compensating the owners for any portion of the investment in such roads.

The effects of such distortion of the rule in *Cors* extend far beyond the facts of this case — obviously, to every privately owned road throughout the O&C region, and, by the same reasoning, to every privately owned road capable of providing service to any portion of the millions of acres of public lands throughout the country which are required by statute to be administered for multiple use and sustained yield.

Contemplation of the consequences of the government's construction of *Cors* indicates the fallacious nature of the argument. It simply proves too much. If the government's position were valid, it ought not to have entered into the 20-year agreements in this case, for it could have condemned the right to use the road free of charge immediately upon its completion. And it should not have adopted cost-sharing regulations authorizing the expenditure of federal funds for the use of private roads which it was entitled to use free of charge. Such a strained construction of *Cors* leads to an impermissible result — the confiscation of private property without just compensation.

In the interest of accuracy, we wish to correct misstatements of the record in this case contained in the brief for the United States. Contrary to the statement on page 6 of its brief, petitioners have never contended either that under the previous 20-year agreements

or under "the renewal agreements which inevitably would have been entered into, the United States obligated itself to pay a portion of the capital costs of the Molalla Road, based on its percentage of the timber in the watershed logically tributary to the road." As stated on page 5 of the Petition for a Writ of Certiorari, the 20-year contracts "did not expressly incorporate the cost-sharing formula authorized by the regulations, possibly because, as noted by the District Court, the parties believed most of the federal timber would be removed by 1973, when the contracts would have expired." Nevertheless the contracts did provide a method of cost-sharing by requiring payments from nonowners proportionate to their use of segments of the Molalla Road.

Although petitioners have never contended that absent condemnation the United States would have been obligated to enter into *any* type of renewal agreement, we agree with the statement of the Court of Appeals, and the District Court's finding, that "there is little doubt, that absent condemnation a new road use agreement would have been signed." After all, each party had need to use segments of the road owned by each of the other two parties and the government's regulations were designed for precisely such a situation.

While, as stated on page 7 of the Petition for Writ of Certiorari, we cannot say with certainty what form the agreement would have taken, obviously it would have complied with the current regulations by

providing in some manner for payment by the United States of "just compensation, including a fair share of the maintenance and amortization charges attributed to such road . . ." (43 C.F.R. 2812.0-6(e); Ex. D, R. 79.) In determining that share, the formula provided in the regulations would have taken into account and credited the government with all federal timber removed in the past under the 20-year agreements, even though they were not expressly phrased as cost-sharing agreements.

Had there been no condemnation, a potential buyer of petitioners' properties would have considered the probability of such renewal agreements being entered into and would have given this weight in arriving at a conclusion as to fair value of the property taken.

The Petition for Writ of Certiorari should be granted and the erroneous rulings of the District Court and Court of Appeals reversed so that the jury may consider those factors in assessing just compensation.

Respectfully submitted,

MANLEY B. STRAYER  
JAMES P. ROGERS  
CLEVELAND C. CORY  
Counsel for Petitioners